

"(i) such dealer ceases to be a dealer in securities or

"(ii) such dealer commences holding the high-yield interest for investment.

there is hereby imposed (in addition to other taxes) an excise tax equal to the product of the highest rate of tax specified in section 11(b)(1) and the income of such dealer attributable to such interest for periods after the date of such cessation or commencement.

"(B) HOLDING FOR **31** DAYS OR LESS.—For purposes of subparagraph (A)(ii) a dealer shall not be treated as holding an interest for investment before the thirty-second day after the date such dealer acquired such interest unless such interest is so held as part of a plan to avoid the purposes of this paragraph.

"(C) ADMINISTRATIVE PROVISIONS.—The deficiency procedures of subtitle F shall apply to the tax imposed by this paragraph.

"(e) TREATMENT OF HIGH-YIELD INTERESTS IN PASS-THRU ENTITIES.—

"(1) IN GENERAL.—If a pass-thru entity (as defined in section 860E(e)(6)) issues a debt or equity interest—

"(A) which is supported by any regular interest in

a **FASIT**, and

"(B) which has an original yield to maturity which is greater than each of—

"(i) the sum determined under clauses (i) and (ii) of section 163(i)(1)(B) with respect to such debt or equity interest, and

"(ii) the yield to maturity to such entity on such regular interest (determined as of the date such entity acquired such interest),

there is hereby imposed on the pass-thru entity a tax (in addition to other taxes) equal to the product of the highest rate of tax specified in section 11(b)(1) and the income of the holder of such debt or equity interest which is properly attributable to such regular interest. For purposes of the preced-

ing sentence, the yield to maturity of any equity interest shall be determined under regulations prescribed by the Secretary.

"(2) EXCEPTION.—Paragraph (1) shall not apply to arrangements not having as a principal purpose the avoidance of the purposes of this subsection.

"SEC. 860L. DEFINITIONS AND OTHER SPECIAL RULES.

"(a) ~~FASIT.~~

"(1) IN GENERAL. ~~For~~ purposes of this title, the terms "financial asset securitization investment trust" and "FASIT" mean any entity

"(A) for which an election to be treated as a FASIT applies for the taxable year.

"(B) all of the interests in which are regular interests or the ownership interest.

"(C) which has only one ownership interest and such ownership interest is held directly by an eligible corporation.

"(D) as of the close of the third month beginning after the day of its formation and at all times thereafter, substan-